

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6549

AMEMBASSY BRUSSELS

UNCLAS PARIS 2915

E.O. 11652: N/A

TAGS: ETRN, FR

SUBJECT: CIVAIR: AIR FRANCE PROSPECTS FOR 1974

REF.: PARIS 1437

1. AT PRESS LUNCHEON JANUARY 31, PIERRE COT, DIRECTOR GENERAL OF AIR FRANCE, FORESAW OPERATING LOSS FOR AIR FRANCE IN 1974 COMPARED BREAK-EVEN IN 1972 AND SUBSTANTIAL PROFIT 1971. AMONG REASONS HE CITED EXCEPTIONAL EXPENSES OF 100 MILLION FR. FOR AIR FRANCE MOVE TO NEW CHARLES DE GAULLE AIRPORT ROISSY. (ACCORDING LE MONDE, COT WAS CRITICAL OF PARIS AIRPORT AUTHORITY FOR PLANNING TURN ROISSY INTO "SUPERMARKET" WITHOUT CONCERN FOR AIRLINE NEEDS IN SERVING PUBLIC AND HE FELT NEW AIRPORT WAS PREMATURE ANYWAY.) WITH HIGHER FUEL PRICES ALSO DIGGING DEEPER INTO AIR FRANCE OPERATING COSTS, GLOOMY FINANCIAL OUTLOOK COMPELLED AIR FRANCE TO INSTITUTE DRASTIC ECONOMY MEASURES WITHIN THE COMPANY WHICH, IT WAS HOPED, WOULD MAKE IT POSSIBLE TO AVOID LARGE-SCALE LAYOFF OF PERSONNEL, AMONG ECONOMY MEASURES WOULD BE CUTBACK IN ORDER TO BOEING FOR ONLY ONE 747 INSTEAD OF THREE.

2. COT REMARKED THAT "WITHIN IATA THINGS NEVER MOVE QUICKLY" AND SO FARE INCREASES WOULD BE PROGRESSIVE, BUT HE FORESAW TOTAL FARE INCREASE IN NEIGHBORHOOD OF 25 PERCENT BY END 1974.

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3. IN RESPONSE TO QUESTION OF HOW AIR FRANCE COULD HELP PROMOTE

FRENCH AIRCRAFT INDUSTRY, COT SAID THAT SUBJECT OF COOPERATION BETWEEN FRENCH AIRLINES AND FRENCH AIRCRAFT INDUSTRY WAS ONE REQUIRING FULL-SCALE REVIEW. HE NOTED THAT WITH EXCEPTION OF CARAVELLE, WHICH PARTLY EXPLAINED THAT AIRCRAFT'S COMMERCIAL SUCCESS, FRENCH AIRCRAFT INDUSTRY UNLIKE AMERICAN INDUSTRY DOES NOT WORK CLOSELY WITH AIRLINES AND TAKE THEIR NEEDS INTO ACCOUNT BEFORE LAUNCHING NEW MODELS.

(COMMENT: THIS WAS OBVIOUS SLAP AT CONCORDE AND AIRBUS PROGRAMS.) FRENCH INDUSTRY SHOULD ALSO ALIGN THEIR PRICES AND CREDIT TERMS ON THOSE OF THEIR AMERICAN COMPETITORS. IN CONCLUSION, COT SAID THAT ATLAS GROUP WAS PREPARED "TO PLACE ITS RESOURCES AT DISPOSAL OF AIRCRAFT BUILDERS WHO WANT TO DESIGN THE PLANES FOR 1980."STONE

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## Message Attributes

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